

Internal Audit Division City of Greensboro

May 21, 2010

TO:

Rashad Young, City Manager

FROM:

Internal Audit Division

SUBJECT: Redwood Street Limited Partnership

The Internal Audit Division has completed our annual review of The Redwood Street Limited Partnership along with a Programmatic Review by the Housing & Community Development Department for the 2007-2008 year. Attached you will find our review report; the agency response; the departmental response and our replies to their responses. We feel that sufficient corrective actions have been implemented to our recommendations as we move forward. If you have any questions or need additional information, please let us know. Thanks.

Len Lucas

Internal Audit Director

Cc: Bob Morgan, Deputy City Manager

Andy Scott, Assistant City Manager for Economic Development Dan Curry, Interim Director of Housing & Community Development



Date:

December 2, 2009

To:

Dan Curry, Acting Director of Housing & Community Development

From:

Internal Audit Division

Subject:

Redwood Street Limited Partnership/Coley Jenkins Elderly Housing 2007-2008

The Internal Audit Division has performed our compliance review of the year ended December 31, 2008 of Redwood Street Limited Partnership. This property received a loan provided by the City of Greensboro in the amount of \$556,000 and is non-interest bearing to help in the construction of 40 residential units located on Redwood Street. These units are called Coley Jenkins Independent Living Center. Senior Resources of Guilford is currently assisting in providing supportive services for residents.

The balance on the City's loan is due in full on December 1, 2027.

The Department of Housing and Community Development was not available to do their physical inspection at the time of our review, but a representative will call the Management and set up a later date for the inspection.

We examined selected financial transactions maintained by the entity for compliance with the loan agreement. Based on our review, it appears that the funds have been spent according to the terms of the loan agreement except for the findings described below:

FINDING:

In the audited financials of Redwood Street Limited Partnership for year ended December 31, 2008, their auditors, Dauby O'Connor & Zaleski, stated in their Independent Auditor's Report dated March 18, 2009 to the financial statements that "The Partnership currently has minimal cash balances, has unpaid operating expenses and property taxes, under funded reserves, and cash flow shortages are anticipated in 2008." "Those conditions raise substantial doubt about its ability to continue as a going concern." This comment was made by their auditor for year ended December 31, 2007, 2006, 2005, 2004 & 2003 as well.

The current asset at December 31, 2008 was \$2,443 while the current liabilities balance were \$77,698 which makes a negative working capital of (\$75,255).

RECOMMENDATION:

The Partnership should advise the City of Greensboro how it plans to improve its financial position in regards to the City's loan of \$556,000.

FINDING:

Management did not provide a current Certificate of Insurance.

RECOMMENDATION:

A current Certificate of Insurance should be supplied to the City.

FINDING:

The Management Letter for fiscal year ended December 31, 2008 was not received until October 7, 2009.

RECOMMENDATION:

Each year a Management Letter for the previous year end should be received by the City by March 31st.

We request a written signed response from the Wynnefield Properties Incorporated and HCD which should be received by December 16, 2009 and be mailed to the City of Greensboro, Internal Audit Division, P. O. Box 3136, Greensboro, NC 27402.

We would like to thank Ms. Vanessa Phummer, Manager; Ms. Donna Cox, Compliance Manager; Mr. Donald Friend, Maintenance Coordinator, Mr. Tim Millisor, Regional Property Manager and Ms Joanie Duley, Corporate Management; and the staff of Wynnefield Properties for their courtesy and cooperation shown to us during this visit. If there are any questions or comments concerning the details of this visit, we can be reached at 373-2821.

Mickey Kerans

Internal Auditor

Len Lucas

Internal Audit Director

Cc: Bob Morgan, Deputy City Manager

Andy Scott, Interim Assistant City Manager for Economic Development

I. Norwood Stone, President of Wynnefield Properties, Incorporated



Date:

December 1, 2009

To:

Norwood Stone, Wynnefield Properties
Michael Blair, City of Greensboro HCD

From: RE:

2009 Coley-Jenkins Programmatic Evaluation

City of Greensboro staff conducted an on-site monitoring visit of Coley Jenkins Apartments, located at 2121 Redwood Dr. in Greensboro, NC, on October 7, 2009. The purpose of the monitoring review was to determine whether the terms of the loan agreement and other federal requirements were being met. This letter summarizes the results of the City's monitoring on the above date.

The specific areas monitored were:

- 1. Certification of tenant income and Residential Lease
- 2. HOME (or other fund source) Rents
- 3. Affirmative Marketing
- 4. Property Standards
- 5. Lead-based Paint (if applicable)
- 6. Compliance with the Agreement and any other applicable requirements
- 7. Asset Management

During the monitoring, information is documented on checklists based on HOME Program requirements and modified to accommodate other funding sources and agreements. The information gathered serves as a basis for this monitoring report. Findings, concerns and observations, are identified in the report.

For clarification purposes a "finding" is defined by HCD as a project element that does not comply with a local, federal, or contractual, rule or regulation whereas a "concern" is either a potential finding or management weakness that should be improved to avoid future problems; an "observation" can be a comment about the property or a suggestion that may improve a service or element of operations.

Certification of Tenant Incomes

The individual files reviewed were: 134; 105; 115; 129; 122 and 141.

- Recertifications were completed within the annual required timelines.
- All income appeared to be included in the eligibility determination (see observation #1)
- Assets were evaluated & calculated for determining annual income and backup third party documentation was present in all files.

Observation # 1:

The income certification form (TIC) for unit 129 included a 2008 GHA Housing Choice Voucher amount of \$241 when the 2009 amount was available.

Required Corrective Action:

None. Only to work to make certain that current year back up is used at all times. This likely only occurred due to a rent increase that made the GHA re-evaluate all voucher amounts.

No findings or concerns noted.

Rents

The January 1997 construction agreement included city allocations of \$411,000 Federal HOME dollars and \$145,000 in local funds. Forty (40) 1BR HOME Assisted Units were created with an affordability of 30 Years. The $1^{\rm st}$ Amendment to the agreement allows for 16 units to be at or less than 50% rent limits (\$587/m) and 24 units at 51% to 60% rent limits (\$705/m).

40 TOTAL 1BR	Tenant Rent	Utilities	Total (Rent + Util.)
16 Units	\$400	\$41 - \$107	\$441 - \$507
24 Units	\$494	\$41 - \$107	\$535-\$603

- Occupancy Requirement (20% rule): Requirement met.
- Rent Requirements: The sixteen 50% units were at \$400/m (\$107/UA) and the twenty-four 60% units were at \$494/m (\$107/UA). Requirement met.
- Over-Income Tenants: One household had an income that exceeded 80% of adjusted median family income. LIHTC over-income rules apply.
- Rent Increase: All sampled files contained a written 30 day notice of rent increase.

No findings or concerns noted.

Affirmative Marketing

No findings or concerns noted.

Property Standards

Unit inspections are conducted by management. Copies of the inspections are kept in the tenant's file. The property and units were not inspected by City staff on October 7, 2009. This will be arranged for a later date. No findings or concerns noted.

Lead-based Paint

The property is not subject to lead-based paint requirements having been constructed in 1997. No findings or concerns noted.

Residential Lease

All leases are for one year as required in the agreement. No findings or concerns noted.

Contractual Agreement Compliance

The purpose of the January 1997 construction agreement is to regulate and restrict occupancy, rents, operation, ownership and management of the property.

Finding # 1:

The management letter for FYE2008 was not received until October 7, 2009.

Required Corrective Action:

To adhere to the agreement §5.4 and submit both the audit and management letter within 90 days of the FYE.

Asset Management

Observation # 2:

The replacement reserve was been depleted to \$80 at FYE-2008. It has remained at that level through most of 2009.

Required Corrective Action:

None. This is only an observation however HCD recommends replenishing the reserve as soon as possible. No findings or concerns noted.

Rental Property Score - 54.5

Observation #3:

A score of 54.5 (out of 100 possible points) places Coley Jenkins apartments in the red rental scoring category.

Required Corrective Action:

Being in the red category may increase the level of monitoring by HCD and Internal Audit staff. The score was primarily lowered by low FY08/09 occupancy, low Hard Debt Service Coverage Ratio, late payment on 2008 property taxes, and vacant unit off-line time.

Observation # 4:

Fairly low occupancy (for a property serving the elderly and/or disabled) was reported in the 3rd Quarter of 2009 (around 87%) as well as for all of FY08/09 (85.8%). The FY08/09 percentage was calculated from the move-in move-out report provided to HCD staff. FY07/08 had reported occupancy in the mid-90's (96% from October 8, 2007 through October 8, 2008) which was above the area average as well as an improvement from the previous fiscal year.

Required Corrective Action:

Only to continue to work to increase occupancy and limit the time units remain vacant.

Rental Property Scoring Report: Maximum 100 - 54.5 retained after reductions

Indicator	Result	Deducted or added
Physical Occupancy FY08/09	85.8%	-10
Difference between Physical Occupancy and Econ. Occupancy (CY2008)	<1%	0
Average Vacant Unit Off-line Time	173.1 days	-8
Maintenance Response Time	around 1 day	0
Overall Physical Condition	"Satisfactory"	0
Per Unit Cash Flow	\$533.55	0
Hard Debt Service Coverage Ratio	.61	-10
Timely Delivery of External Audit	Late management letter	-3
Adhering to HOME, PJ, Agreement and/or Note and Deed	No (late management letter)	-2.5
Adhering to Reporting Standards	Yes	0
Cash Flow	positive	0
Resident Turnover Rate	8%	0
Property Taxes Paid Ontime	>45 past due in 2008	-10
Reserve requirements met	N/A	0
Replacement reserve Minimum of \$1,000/unit	no	-2

Overall the property is in what could be described as good condition and in compliance with the agreement. However it has some serious financial problems; for six (6) consecutive years audit management letters have stated serious cash flow deficiencies and the CPA management letters have expressed doubt as to the likelihood of the property to remain a "going concern", this condition is not improved by continued occupancy in the 80's and not the 90's which is attainable.

There is no need to respond to the Finding and Observations identified in this letter. The Internal Audit report requested a reply.

HCD staff appreciates the assistance and documentation that by Wynnefield Properties staff provided during the monitoring visit.

Michael Blair

Specialist Grants Compliance

Dan Curry
Acting Director HCD



December 9, 2009

Mr. Norwood Stone Wynnefield Properties, Inc. P. O. Box 395 Jamestown, NC 27282

Re: Redwood Street Limited Partnership-2007 to 2008

Dear Mr. Stone:

In reference to our report letter dated December 2, 2009, enclosed is our physical inspection of Coley-Jenkins Elderly Housing dated December 8, 2009. This inspection was completed after our original report. As the inspection states all exit lights should be put in working order. Also, there were a few minor repairs to one apartment unit. Let us know when the repairs have been completed.

Sincerely,

Mickey Kerans

Internal Auditor

Len Lucas

Internal Audit Director

Cc: Bob Morgan, Deputy City Manager

Dan Curry, Acting Director of Housing & Community Development Andy Scott, Interim Assistant City Manager for Economic Development

PHYSICAL INSPEC	CTION REPORT		
PROPERTY:	Coley-Jenkins		
Address:	2221 Redwood St.		
Review Period:	2007-2008		
Units to Inspect	6		
Inspector:	12-8-19/1		
Inspection Date:	10/7/2009		
inspection pate.	101112.000		
	Inspector's Description of Inspection		
Futarian 9	mapeolor a besorption of mapositor.		
Exterior &			
Grounds			
	Check all a 11 11		
	Eame as last year) Fire extidue this month		
	(Same as last year)		
	Five extidue this month		
	The second secon		
Interior			
105	OK		
	<u>Oh</u>		
115	Broken cover plate in Bathroom		
	Broken over 16th Kitchen Short in switch		
	Broken cover plate in Bathroom Broken cover plate kitchen short in switch loose floor tiles kitchen		
122			
	R K		
.,,	10K		
			
129			
143			
	6K		
	0.4		
134			
	OK		
· · · · · · · · · · · · · · · · · · ·			

Page 2

141			
	04		
I i			



Internal Audit Division City of Greensboro

March 9, 2010

Mr. Craig Stone Wynnefield Properties, Inc. P. O. Box 395 Jamestown, NC 27282

Re: Coley-Jenkins Apartments-2007 to 2008

Dear Mr. Stone:

We are following up on Wynnefield's written response for Coley-Jenkins Apartments which was due to the City on or before December 16, 2009. For your reference, we are attaching a copy of our report to Wynnefield dated December 2, 2009. Your immediate reply to this matter would be appreciated. If you should have any questions, please feel free to call us at 373-2821.

Sincerely,

Mickey Kerans

Internal Auditor

Len Lucas

Internal Audit Director

Cc: Bob Morgan, Deputy City Manager

Andy Scott, Interim Assistant City Manager for Economic Development

Dan Curry, Acting Director of Housing & Community Development

Bill Cashatt, Wynnefield Properties



Date:

December 2, 2009

To:

Dan Curry, Acting Director of Housing & Community Development

From:

Internal Audit Division

Subject:

Redwood Street Limited Partnership/Coley Jenkins Elderly Housing 2007-2008

The Internal Audit Division has performed our compliance review of the year ended December 31, 2008 of Redwood Street Limited Partnership. This property received a loan provided by the City of Greensboro in the amount of \$556,000 and is non-interest bearing to help in the construction of 40 residential units located on Redwood Street. These units are called Coley Jenkins Independent Living Center. Senior Resources of Guilford is currently assisting in providing supportive services for residents.

The balance on the City's loan is due in full on December 1, 2027.

The Department of Housing and Community Development was not available to do their physical inspection at the time of our review, but a representative will call the Management and set up a later date for the inspection.

We examined selected financial transactions maintained by the entity for compliance with the loan agreement. Based on our review, it appears that the funds have been spent according to the terms of the loan agreement except for the findings described below:

FINDING:

In the audited financials of Redwood Street Limited Partnership for year ended December 31, 2008, their auditors, Dauby O'Connor & Zaleski, stated in their Independent Auditor's Report dated March 18, 2009 to the financial statements that "The Partnership currently has minimal cash balances, has unpaid operating expenses and property taxes, under funded reserves, and cash flow shortages are anticipated in 2008." "Those conditions raise substantial doubt about its ability to continue as a going concern." This comment was made by their auditor for year ended December 31, 2007, 2006, 2005, 2004 & 2003 as well.

The current asset at December 31, 2008 was \$2,443 while the current liabilities balance were \$77,698 which makes a negative working capital of (\$75,255).

RECOMMENDATION:

The Partnership should advise the City of Greensboro how it plans to improve its financial position in regards to the City's loan of \$556,000.

FINDING:

Management did not provide a current Certificate of Insurance.

RECOMMENDATION:

A current Certificate of Insurance should be supplied to the City.

FINDING:

The Management Letter for fiscal year ended December 31, 2008 was not received until October 7, 2009.

RECOMMENDATION:

Each year a Management Letter for the previous year end should be received by the City by March 31st.

We request a written signed response from the Wynnefield Properties Incorporated and HCD which should be received by December 16, 2009 and be mailed to the City of Greensboro, Internal Audit Division, P. O. Box 3136, Greensboro, NC 27402.

We would like to thank Ms. Vanessa Plummer, Manager; Ms. Donna Cox, Compliance Manager; Mr. Donald Friend, Maintenance Coordinator; Mr. Tim Millisor, Regional Property Manager and Ms Joanie Duley, Corporate Management; and the staff of Wynnefield Properties for their courtesy and cooperation shown to us during this visit. If there are any questions or comments concerning the details of this visit, we can be reached at 373-2821.

Mickey Kerans Internal Auditor Len Lucas

Internal Audit Director

Cc: Bob Morgan, Deputy City Manager

Andy Scott, Interim Assistant City Manager for Economic Development I. Norwood Stone, President of Wynnefield Properties, Incorporated

2



MEMO

Date:

March 22, 2010

To:

Len Lucas, Internal Audit Director

From:

Michael Blair, Analyst Grants Compliance

RE:

HCD Review of Coley Jenkins Apartments Audit Report

HCD concurs with the Internal Audit review.

GREENSBORO

Internal Audit Division Executive Department City of Greensboro

March 23, 2010

TO:

Dan Curry, Acting Director of Housing & Community Development

FROM:

Internal Audit Division

SUBJECT: Redwood Street Limited Partnership/Coley-Jenkins, 2007-2008

Thank you for your reply of March 22, 2010. Internal Audit agrees with the Department of Housing & Community Development's response to Internal Audit's subject report dated December 2, 2009.

Mickey Kerans Internal Auditor Len Lucas

Internal Audit Director

Cc: Bob Morgan, Deputy City Manager Andy Scott, Assistant City Manager for Economic Development MGT, INC.

Property Management 336-454-6134

Fax: 336-454-6190

P. 0. Box 395 5614 Riverdale Road Jamestown, N. C. 27282

May 17, 2010

Mickey Kerans Internal Auditor City of Greensboro P. O. Box 3136 Greensboro, N. C. 27402

Re:Coley - Jenkins audit 2007-2008

Dear Mickey:

In reference to your letter dated December 2, 2009 I am responding to your findings.

We are implementing the following procedures in a good faith effort to improve the financial position of Coley-Jenkins Elderly Housing:

- 1) Distributed flyers in the surrounding community advertising Coley-Jenkins Elderly Housing.
- 2) Coley-Jenkins Elderly Housing is listed on craigslist and socialserve.com.
- 3) Site Manager is to contact housing assistance agencies in Greensboro on a regular basis.
- 4) Property taxes were reduced by approximately \$ 12,000.00 in 2009.
- 5) Direct mailing of 500 post cards advertising Coley-Jenkins.

I am enclosing a copy of the Certificate of Insurance.

We have instructed our External Auditors that we require the Management Letter be sent to us prior to March 31 each year.

If you have any questions please call.

N Carlase

Sincerely,

Bill Cashatt



Internal Audit Division City of Greensboro

May 19, 2010

Mr. Bill Cashatt Wynnefield Properties, Inc. P. O. Box 395 Jamestown, NC 27282

Re: Coley-Jenkins Apartments-2007 to 2008

Dear Mr. Cashatt:

We are in receipt of your letter dated May 17, 2010 which we received on May 19, 2010. We appreciate Wynnefield's reply to our review report dated December 2, 2009 which we requested a response from Wynnefield on or before December 16, 2009. We are in agreement with Wynnefield's responses re: the Partnership's improvement of its financial position, Management Letter and the current Certificate of Insurance.

Sincerely,

Mickey Kerans Internal Auditor Len Lucas

Internal Audit Director

Cc: Bob Morgan, Deputy City Manager

Andy Scott, Assistant City Manager for Economic Development Dan Curry, Acting Director of Housing & Community Development